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sentix Economic Index: More upside potential ahead!

- The **sentix Economic Indices surprise in January**. All indices have turned positive which indicates more growth potential ahead.
- Especially the indices for the Eurozone and Eastern Europe look promising. The headline index for the Eurozone increases by +8.2 points and reaches the highest value since August 2015.
- The headline index for the US economy rises above its recent December 2016 all-time high. We expect more economic upside potential in 2017.

Statistics

Poll running: **05 to 07-January-2017**

Survey participants: **975 investors**

(**228** of those are institutional investors)

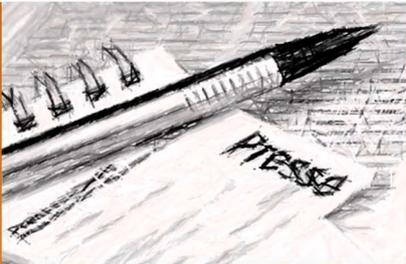
Current economic regimes* of countries /regions in focus:

| Region / country | Regime | Region / country | Regime |
|------------------|--------|------------------|--------|
| Eurozone | boom | USA | boom |
| Germany | boom | Japan | boom |
| Switzerland | boom | Asia ex-Japan | boom |
| Austria | boom | Latin America | upturn |
| Eastern Europe | upturn | Global Aggregate | boom |

* The regimes – ranging from recession to boom – are derived from the sentix Economic Indices according to the principle of the “economy clock” (see annotation on penultimate page). They reflect investors’ perceptions of different economies. These perceptions are the basis for investors’ behaviour, i.e. their asset allocation, and are thus relevant for financial markets. They are historically close to actual economic activities but need not necessarily be identical.

Results for the Eurozone economy: **January 2017**

| Euro area | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 | |
|---------------------|--------|--------|--------|--------|--------|--------|-----------------------------|
| Overall Index | 4.2 | 5.6 | 8.5 | 13.1 | 10.0 | 18.2 | Highest value since 08-2015 |
| Headline Index | | | | | | | |
| - Current situation | 3.8 | 4.5 | 6.3 | 12.3 | 8.3 | 16.5 | Highest value since 07-2011 |
| - Expectations | 4.8 | 6.8 | 10.8 | 14.0 | 11.8 | 20.0 | |



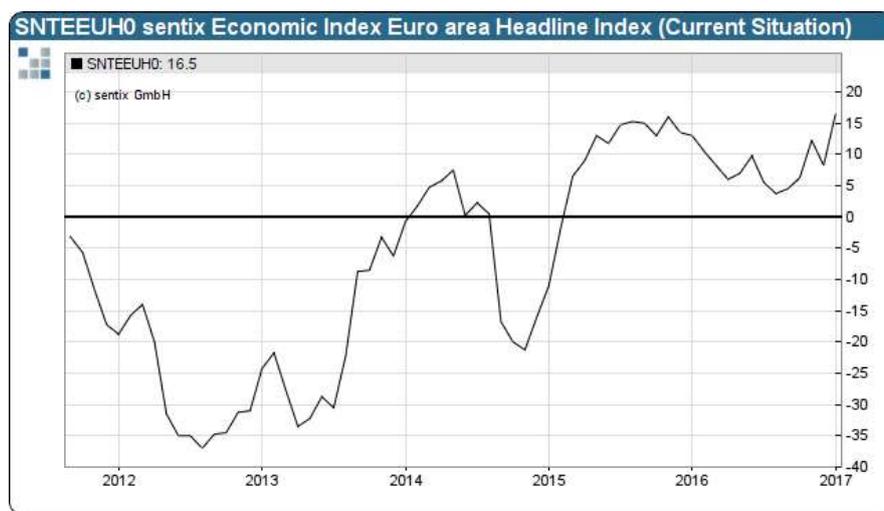
Commentary on the survey results for January 2017

More upside potential ahead!

The sentix economic indices surprise in January: All indices turn positive and imply more growth potential ahead. Especially the Eurozone and Eastern Europe benefit at the beginning of 2017. The headline index for the Eurozone increases by 8.2 points and reaches the highest value since August 2015. Economic expectations and current situation values improve dynamically. At the same time, we expect more economic upside potential for Eastern Europe and Austria due to its strong ties with the east of Europe. The US economy can maintain its strong growth momentum in January. The headline index marks the second all-time high in a row. Therefore, the Global Aggregate Index jumps to a 9-year high. Therefore, we expect more economic upside potential for 2017.

Eurozone – the “Trump effect” arrives in Europe

In December, the economic indices for the US economy were in the spotlight. This month the indices for the Eurozone excel. At the beginning of 2017, the headline index for the Eurozone economy jumps significantly by +8.2 points. Both the current situation and the expectations component of our index manage to gain ground. Currently, investors are especially upbeat about the present economic situation of the Eurozone. The index rises to the highest level since July 2011.



sentix Economic Index for the Eurozone: Current Situation

In addition to the positive review of the Eurozone, investors upgrade their outlook on the German economy as well. Economic expectations increase by +4 points. The current situation index crests to a 5-year high and stands now at 52.5 points.

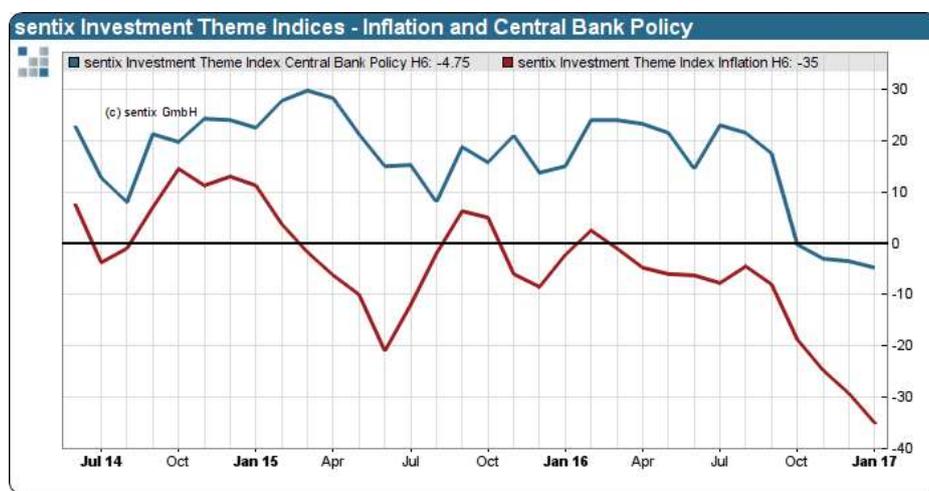
| Germany | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|---------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 19.8 | 19.5 | 27.7 | 29.2 | 27.8 | 33.1 |
| Headline Index | | | | | | |
| - Current situation | 33.4 | 34.3 | 45.5 | 47.8 | 45.8 | 52.5 |
| - Expectations | 7.0 | 5.7 | 11.3 | 12.0 | 11.3 | 15.3 |

Highest value since 07-2011



The Eurozone’s economic indices finally align with the already positive development of the indices of other world regions. The “Trump Effect” on the global economy, however, is not the trigger of the current economy recovery. Moreover, it is just an accelerator within an ongoing process. The present economic recovery started with the turnaround of the emerging markets’ since February 2016. Even the surprising Brexit has been digested smoothly. The election of Donald Trump as next president of the United States has contributed to positive tailwinds. The acceleration of the recovery momentum, however, causes adverse side effects. The sentix Investment Theme Indices document those. Despite that the ECB does not show any signs of a policy reversal, the sub-indices measuring inflation and central bank policy indicate more downside risk for European bond markets. Hence, we expect a steepening of the yield curve.

Background Investment Theme Indices: sentix asks survey participants besides their opinion on the economy whether inflation, economic development, central bank policy, fiscal policy or the Euro/US-Dollar exchange rate may affect the European bond market.

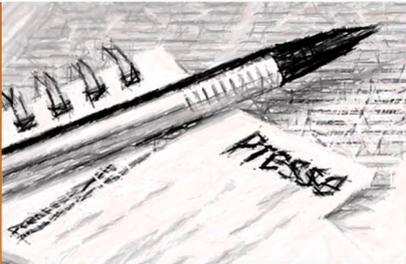


sentix Investment Theme Indices: Central Bank Policy and Inflation

Eastern Europe – To Russia with Love

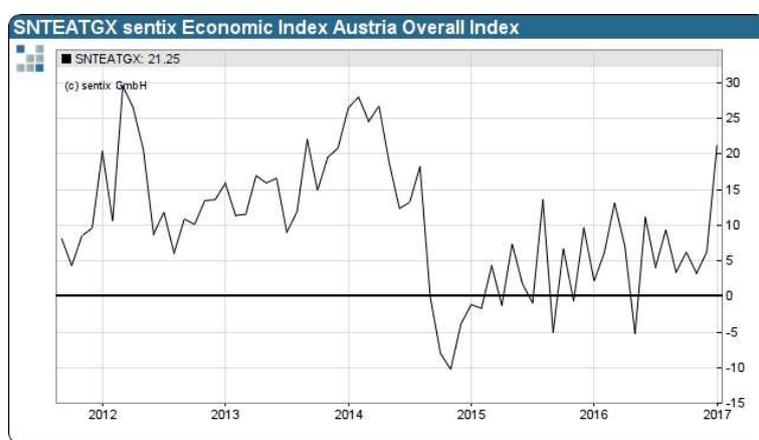
In January, even the troubled child of our index family benefits. The headline index representing Eastern Europe’s economy increases by + 5.3 points. The region benefits from repeated announcements by president-elect Trump to establish a mutually beneficial relationship between the two countries. Investors start to dream of an end of the US imposed sanctions on the Russian economy.

| Eastern Europe | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | -5.0 | -2.9 | -1.6 | 2.2 | 1.8 | 7.1 |
| Headline Index | | | | | | |
| - Current situation | -12.8 | -10.0 | -8.5 | -4.8 | -6.5 | 0.0 |
| - Expectations | 3.0 | 4.5 | 5.5 | 9.5 | 10.5 | 14.5 |



As a consequence of a brighter outlook in Eastern Europe, the indices for the Austrian economy experience a positive feedback due to the close relationship. The headline index increases by +9 15 points as both expectation and current situation values advance.

| Austria | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 9.4 | 3.4 | 6.2 | 3.3 | 6.2 | 21.2 |
| Headline Index | | | | | | |
| - Current situation | 7.3 | 2.2 | 3.3 | 3.3 | 6.0 | 20.5 |
| - Expectations | 11.5 | 4.5 | 9.3 | 3.3 | 6.5 | 22.0 |



sentix Economic Index for Austria: Overall Index

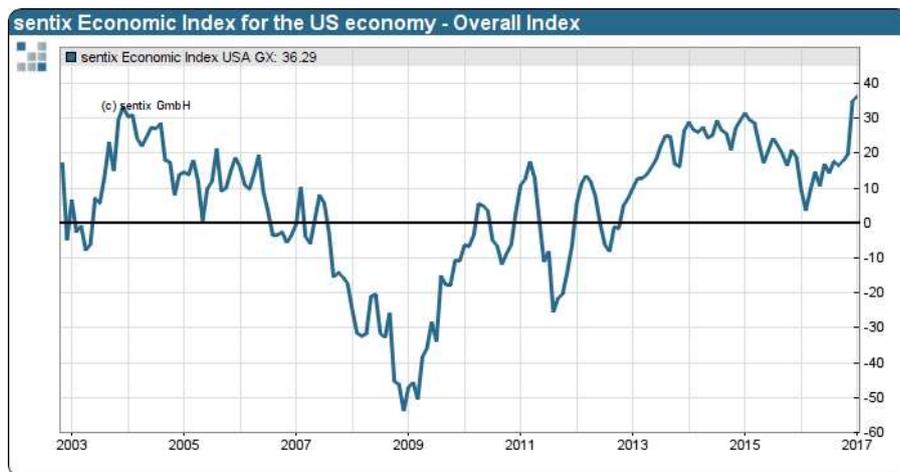
The United States – Second all-time high in a row!

Yes, they can! The sentix indicator measuring the health of the US economy hits a new all-time high in January. Despite that the 1.3 points increase is far from being spectacular, an additional increase after last month's astonishing leap upwards is noteworthy. The slight decrease of expectations should not unsettle investors. As expected, the indication of the previous sentix results is now visible in other leading US indicators such as the ISM and Markit-PMI. Sentix again proved its capability to be the first mover.

| USA | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 17.6 | 16.5 | 17.8 | 19.6 | 35.0 | 36.3 |
| Headline Index | | | | | | |
| - Current situation | 29.3 | 29.3 | 30.0 | 32.8 | 42.5 | 46.5 |
| - Expectations | 6.5 | 4.5 | 6.3 | 7.3 | 27.8 | 26.5 |

Highest level since 07-2002

Highest level since 05-2006



sentix Economic Index for the USA: Overall Index

Global growth stimulus

Japan benefits from global economic tailwinds. The overall index increases by +5.7 points. As all regional economic indices have turned positive, we expect more upside potential to come in 2017. The sentix Global Aggregate has reached with 21.2 points a new 9-year high. Only in July 2007, the Global aggregate stood at a higher value.

| Japan | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | -6.2 | -4.8 | -1.3 | 1.3 | 9.0 | 14.7 |
| Headline Index | | | | | | |
| - Current situation | -12.8 | -10.3 | -6.8 | -3.0 | 5.8 | 13.3 |
| - Expectations | 0.5 | 0.8 | 4.3 | 5.8 | 12.3 | 16.3 |

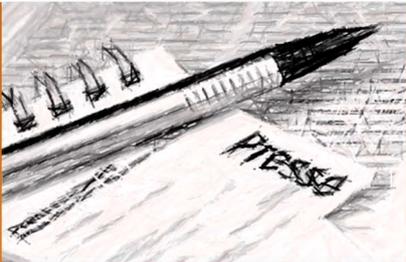
Highest value since 01-2014

| Global Aggregate | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 7.9 | 9.1 | 11.6 | 14.8 | 17.9 | 21.2 |
| Headline Index | | | | | | |
| - Current situation | 8.4 | 10.3 | 12.5 | 16.8 | 17.8 | 22.4 |
| - Expectations | 7.4 | 7.9 | 10.7 | 12.9 | 18.0 | 20.0 |

Highest value since 05-2011

Highest value since 07-2007

Highest value since 01-2014



More tables

| Switzerland | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 3.7 | 10.8 | 18.7 | 13.6 | 15.4 | 20.9 |
| Headline Index | | | | | | |
| - Current situation | 6.5 | 18.9 | 25.0 | 15.8 | 20.5 | 23.8 |
| - Expectations | 1.0 | 2.9 | 12.5 | 11.5 | 10.5 | 18.0 |

| Asia ex Japan | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | 14.1 | 16.4 | 19.7 | 22.4 | 20.6 | 21.7 |
| Headline Index | | | | | | |
| - Current situation | 15.0 | 18.0 | 21.5 | 25.5 | 23.0 | 24.5 |
| - Expectations | 13.3 | 14.8 | 18.0 | 19.3 | 18.3 | 19.0 |

| Latin America | Aug 16 | Sep 16 | Oct 16 | Nov 16 | Dec 16 | Jan 17 |
|-----------------------|--------|--------|--------|--------|--------|--------|
| Overall Index | -12.5 | -9.1 | -6.0 | 0.8 | -5.0 | -2.6 |
| Headline Index | | | | | | |
| - Current situation | -29.3 | -23.8 | -21.5 | -13.3 | -21.3 | -16.5 |
| - Expectations | 6.0 | 6.8 | 10.8 | 16.0 | 12.8 | 12.3 |



Data availability

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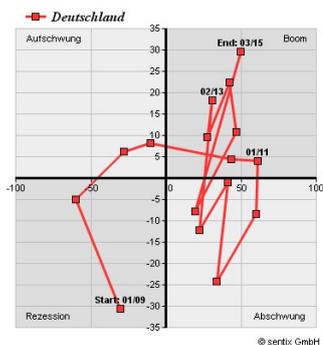
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Sentix is recognised in the industry as one of the leading experts in market sentiment and Behavioral Finance data. Among our clients are big fund managements groups as well as banks and independent fiduciaries. The data products are derived from the sentix Global Investor survey, to which more than 5.000 investors from 20+ countries contribute.

Background, methodology and more

See <http://economics.sentix.de>

sentix -DE- Economy Clock



The idea of the „economy clock“

The sentix economy clock shows the assessment of the current situation and investors' 6-month expectations in an x-y diagram. The evaluation of the current situation is displayed on the x-axis and 6-month expectations on the y-axis. An upturn, for instance, is characterised by still negative readings for the assessment of the current situation but already positive values for investors' expectations. This is why the upturn area lies in the upper left part of the clock. The graph on the left-hand side shows Germany starting in 2009 from a recession ending in 03/15 in a boom.



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